CONCORDIA UNIVERSITY

BOARD OF GOVERNORS

CONCORDIA EMPLOYEE BENEFITS COMMITTEE

SPECIAL MEETING - April 6, 1983

Attendance: Chairman, Mr. G. Fisher, Prof. L. Bessner, Prof. G. Martin, Prof. H. Ripstein, Mr. B. Smart, Mr. C. Waters, Ms. L. Gardham and Miss D. Johnson.

Regrets: Mr. M. Bourgault, Dr. J. Daniel, Mr. r. Groome & Miss S. O'Reilly

Past Service Review:

The Chairman noted that this special meeting had been called to discuss the past service question and we had hoped to have Harry Hemens here with us but he was unable to make it.

Prof. Martin advised Committee that he had talked with Mr. Hemens and he had indicated that at the time of the merger there was certainly no legal basis for providing Past service pension Benefit. As for the moral question he had no suggestion to make. The only contractual documents were those honouring the merger, there is nothing legal to build on.

The Chairman asked each member of the Committee to give a summary of their impressions on the topic.

Prof. Ripstein noted that there is a great deal of pressure in the community for the Committee to get on with the report to the Board of Governors.

The Chairman agreed that further investigation and discussion is going to do little to clarify the question. Although it is still murky the Committee must attempt to formalize a recommendation, put it foward to the Board and let them wrestle with it.

Prof. Bessner remarked that he had read over the minutes and these showed the good faith of the members in reviewing the topic. Before merger a $3 million debt was set up to bring the Sir George pension plan up to date and the University has added additional funds to strengthen it since. It is unfortunate that arrangements were not made to cover the problem in the Loyola plan at the time of merger. There has been a lack of communication from this Committee and the Board on the topic and some people are looking for confrontation because of it. As an alternative funding method perhaps there is surplus real estate on the Loyola Campus which could be sold to cover the deficiency.

Mr. Waters commented that the problem in communication stemmed from the memo which went out on October 15 giving many people on the Loyola Campus the impression that something wrong was done at the time of merger and something was taken away from them. That is unfortunate as we ought to look at this on a needs basis. There is a large number of people in the Loyola Plan who have less service than those in the Sir George Plan. The liability attached to the question is staggering at $6,700,000. and this translates into staggering amounts of money. The amount attributable to Loyola Past Service represents

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$12,220. to each one of these 400 people. We do have a surplus but I am not sure that much can be afforded for this as there are other needs. Something has to be done and I would recommend drawing the line at January 1, 1970 and studying the possibility of going back further at a later date.

Mr. Smart noted that the dilemma we really face is that the pension fund exists to give an adequate pension to Concordia University employees. We defined adequate as 2% per year of service if contributory and 1.1% if non-contributory The Loyola argument is that people who are part of this Concordia University community will not receive an adequate pension. Looking at the cost I came rapidly to the conclusion that not all of the surplus is employee related; the University has made excess contributions and current employees cannot claim they own the surplus. We also know that a surplus today can turn into a deficit tomorrow therefore, it would be foolhardy to commit ourselves on the basis of a market run last fall. What can we afford? If the surplus is over $5 million then I would be prepared to commit $3 million of it but certainly not all. If we go back to 1970 this would give everyone concerned some increase in their pension and then this Committee should annually review the surplus and recognize two liabilities; the cost-of-living adjustments to pensioners and secondly taking past service back beyond 1970. Mr. Smart added he found this an extremely difficult question to wrestle with.

Prof. Martin indicated that his end result goes back to the resolution we drafted earlier wherein a $2 to $2½ million surplus is required. We should commit that and nothing further at the moment. In three years we could review the situation again to see if we can do more. With this we can go back to 1970 but we should also review the retired group and exclude the terminated employees. My option would be to make an estimate of the surplus and make a one shot adjustment now with a commitment to review the question in future years.

The Chairman asked if the plan is still open for Non-Contributory members to join and at what intervals can they join. Miss Johnson replied that employees can opt out entirely in their first three years of employment, thereafter they automatically go into the Non-Contributory plan and can optionally join the contributory plan. In addition, there is an "open enrolment" every fifth anniversary of the plan and members can either opt into or out of the Contributory plan.

Prof. Bessner suggested that if we go back to 1970 we also review the pensions of former Loyola members as they retire and if we have additional funds we will treat them as they would be treated if they were Sir George participants.

The Chairman commented that this approach would be similar to a review every three years. Mr. Hamilton noted that if an individual was slated to retire he would want to postpone retirement in anticipation of some additional improvement.

Prof. Ripstein suggested that an annual review of the entire situation would be preferable to a one-to-one review. The Chairman reminded Committee that the fluctuations in annual results would not give us a good reading, we would need three years of fund performance to know where we stand.

Mr. Hamilton remarked that there is a natural tendancy to be conservative but we do have good reasons to expect decent rates of return over the next five years and if salaries don't increase that much we could, in three years, be facing the question of what to do with the money in the pension plan. We should not lose sight of the fact that there would be no increase in the level of contribution

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even if we took on a $5 million liability. We should not lose sight of the fact that it might be accommodated.

Mr. Smart noted that there are a lot of members prior to 1970 who have no pension for that period of service whereas the Loyola members had a plan they could participate in.

Prof. Bessner reiterated there should be an annual review and a commitment to clear up the Loyola Past service as soon as it is economically feasible. The intention of this group is to rectify an unjust situation.

Prof. Martin noted that he had no problem with this group making a recommendation to the Board for a commitment from the University but as a financial officer of the University an on-going commitment made by the Board could create problems if future funds are unavailable.

Mr. Smart noted that he preferred the idea of applying a percentage of the whole package. If we have $2\frac{1}{2}$ to $3 million, 40% of the total cost of $6.7 million.

Mr. Waters noted that prior to 1970 there are a number of people who did not contribute at all, we should either allow them to make past service contributions or give them the 1.1% Non-Contributory benefit.

Mr. Hamilton noted that we could apply the Contributory and Non-Contributory formulas as appropriate, subtract current benefits from existing plans and implement 40% of the difference. We can try to come up with something that is equitable and fair. What effective date should be used, that is, from what date will the new pension be payable?

Prof. Martin Suggested that June 1, 1983 would be the logical date. In addition, we are talking about those who are currently active in the Pension Plan.

The Chairman asked how we would communicate this particular recommendation to the Board. In addition do we want to talk about retired employees?

Prof. Martin suggested that we use the same 40% approach for retired employees as well.

Mr. Hamilton noted that it would be very expensive to go backward with retiree's benefits. The data needed to compute the benefits is not easy to come by.

The Chairman noted we should include the retired employees in the recommendation with payments to be effective June 1, 1983. In addition terminated employees will be excluded. Mr. Hamilton and Miss Johnson will work on a draft motion to be reviewed by this Committee at our regular meeting next Monday.

Miss Johnson reminded committee members that although the effective date is June 1, 1983 the actual implemation will come later with payments retroactive to June 1, 1983. Retired employees should not expect cheques for some time.

The Chairman noted there were three other items on the agenda. The L.T.D. premium question has been resolved as confirmed in the memo to Committee.

Miss Johnson noted that statement production was on target and we should be able to deliver by the second week of May.

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Prof. Bessner asked about communication of past service information to the community. Somewhere along the line faculty and staff should be advised of what we have been doing.

The Chairman remarked that we should have a sub-committee of this committee to communicate information to the community. Once the Board has made its decision perhaps some members would be willing to help prepare the communication. In addition perhaps Prof. Martin, and I could meet with Mr. McNaughton to explain the resolution in view of the fact that this is an issue with a lot of smoke.

The meeting adjourned at 2:00 p.m.

Respectfully submitted,

Dawn Johnson

Dawn Johnson, Secretary

Special thanks to Recording Secretary, Libby Gardham